

PRIME GLOBAL RENTAL INDEX ENTERS POSITIVE TERRITORY

Knight Frank's Prime Global Rental Index increased by 0.5% in the year to June 2016. Taimur Khan analyses the latest results.

Results for Q2 2016

Our prime global rental index rose by 0.5% in the year to June 2016, the first time it has recorded positive annual growth in the last year

Moscow leads the rankings with prime rents rising by 11.1% on an annual basis

North America is the strongest-performing world region for the third consecutive quarter, with prime rents rising by 4.4% per annum on average

Of the 17 cities tracked by the index, ten saw prime rents rise in the 12 months to June 2016

Nairobi occupies the bottom ranking with rents slipping by 9.2% year-on-year

Knight Frank's Prime Global Rental Index, which tracks the change in luxury residential rents across 17 cities globally, recorded annual growth of 0.5% in the year to June 2016. The number of cities where rental growth has increased rose from seven in the previous quarter to ten this quarter.

Moscow holds the top spot, with prime rents rising by 11.1% year-on-year. Sizable infrastructure investments in the city, combined with a marked slowdown in the contraction of the national economy and substantial gains in oil price over the last quarter have underpinned rental growth.

Nairobi continues to be the weakest-performing market with prime rents falling by 9.2% annually. Since Q3 2011 Nairobi has recorded annual prime rental growth of 9.7% on average, the market is now looking to rebalance.

The slowdown in the prime central London rental market continues with rents falling by 3.0% in the 12 months to June 2016 with higher stock levels and uncertainty in financial markets contributing to the fall. The data for London largely covers

the period leading up to the UK's EU referendum; our latest Prime Central London Index can be found [here](#).

The gap between the top and bottom ranking cities has risen considerably. The strongest performing city (Moscow) and the weakest performing city (Nairobi) are separated by 20.3%. A year earlier the comparable figure was 15.1%.

North America, for the third consecutive quarter, registered the strongest increase with prime rents rising by 4.4% in the year to Q2 2016. Over the same time period, Africa recorded the weakest performance with prime rents falling by 3.9% on average.

Whilst uncertainty caused by Brexit and the US presidential election still lingers, we are starting to see a more positive global economic landscape develop. Sustained and positive economic data from the US, growth in emerging markets led by easier access to credit markets and increased demand from China for commodities suggest a positive outlook for the remainder of 2016. For prime rental markets these factors are likely to stimulate demand from corporate tenants.



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FIGURE 1

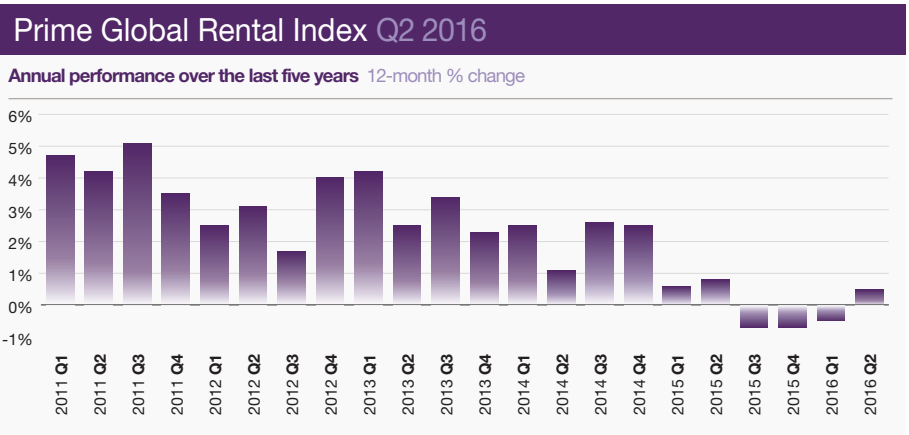


FIGURE 2
Prime Global Rental Index, Q2 2016
Annual % change

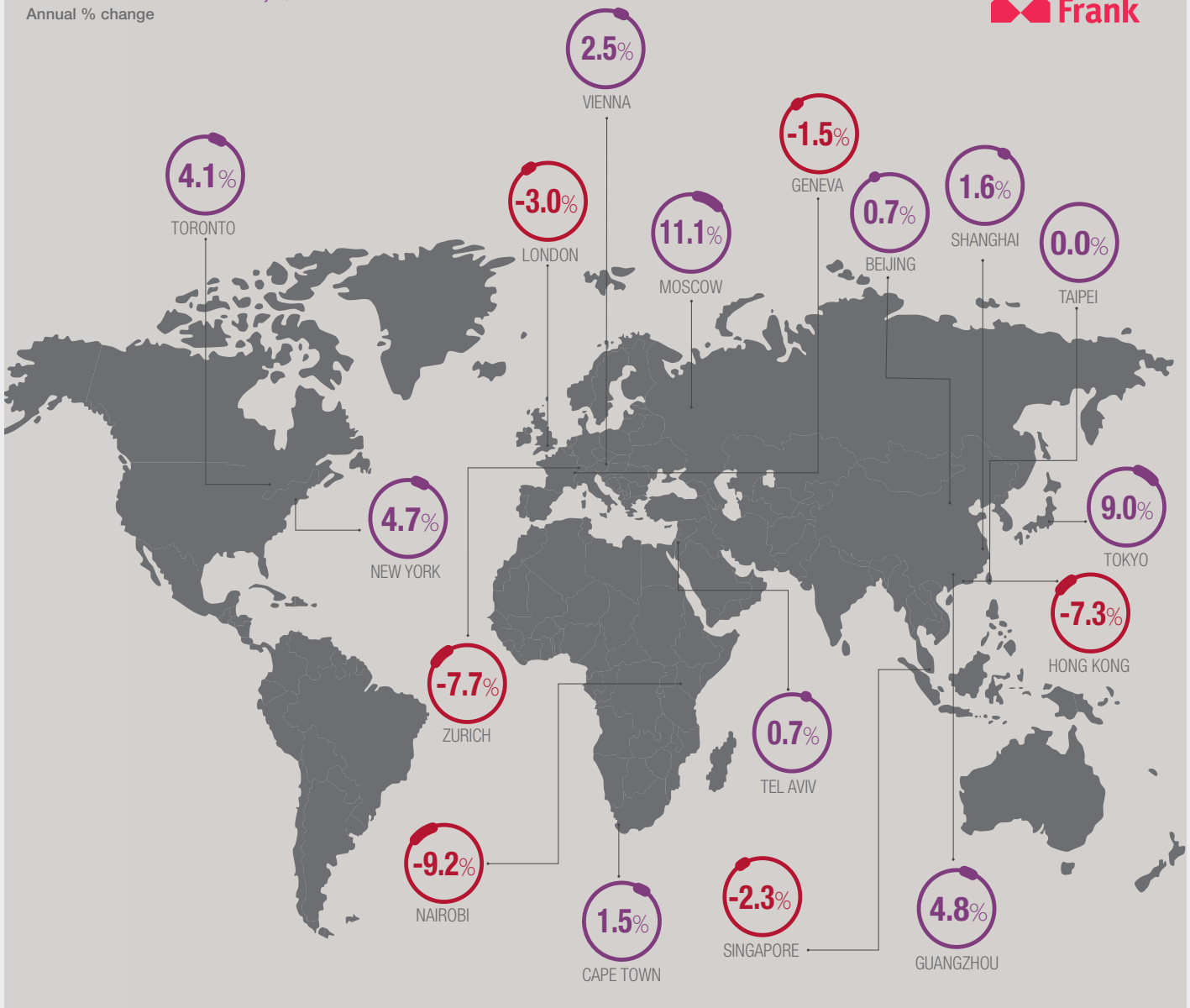
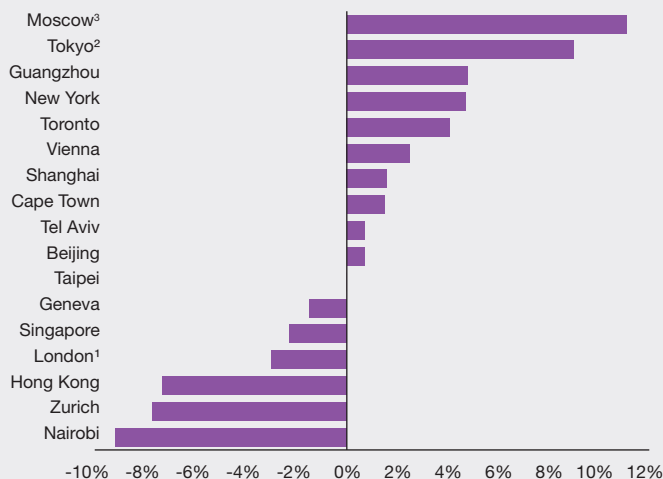
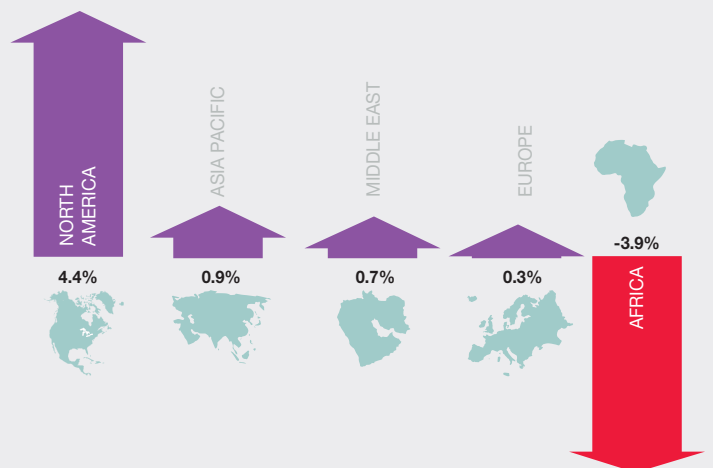


FIGURE 3
Prime residential rental growth by city
Annual % change to Q2 2016



Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation
¹ London: new data is available for prime central London [here](#). ² Data is based on all rental contracts agreed above ¥ 300,000 or where the internal area is 30 tsubo+. ³ Asking rents only

FIGURE 4
Prime rents by world region
Average of 12-month % change (Q2 2015-Q2 2016)



Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation

DATA DIGEST

The Knight Frank Prime Global Rental Index is an important resource for investors and developers looking to monitor and compare the performance of prime residential rents across key global cities. Prime property corresponds to the top 5% of the housing market in each city. The change in prime residential rents is measured in local currency. The index is compiled on a quarterly basis using data from Knight Frank's network of global offices and research teams.

Knight Frank Prime Global Rental Index, Q2 2016

Rank	City	World region	12-month % change (Q2 2015-Q2 2016)	6-month % change (Q4 2015-Q2 2016)	3-month % change (Q1 2016-Q2 2016)
1	Moscow ³	Europe	11.1%	-3.4%	2.9%
2	Tokyo ²	Asia Pacific	9.0%	3.5%	4.8%
3	Guangzhou	Asia Pacific	4.8%	1.1%	1.0%
4	New York	North America	4.7%	-3.9%	3.4%
5	Toronto	North America	4.1%	4.2%	-1.9%
6	Vienna	Europe	2.5%	0.5%	-0.3%
7	Shanghai	Asia Pacific	1.6%	0.2%	0.6%
8	Cape Town	Africa	1.5%	1.5%	0.0%
9	Tel Aviv	Middle East	0.7%	0.4%	-0.8%
10	Beijing	Asia Pacific	0.7%	0.4%	0.3%
11	Taipei	Asia Pacific	0.0%	0.0%	0.0%
12	Geneva	Europe	-1.5%	3.1%	3.1%
13	Singapore	Asia Pacific	-2.3%	-1.6%	0.1%
14	London ¹	Europe	-3.0%	-2.1%	-1.1%
15	Hong Kong	Asia Pacific	-7.3%	-4.8%	-1.0%
16	Zurich	Europe	-7.7%	0.0%	1.7%
17	Nairobi	Africa	-9.2%	-4.4%	-1.5%

Source: Knight Frank Research, Miller Samuel/Douglas Elliman, Ken Corporation

¹ London: new data is available for prime central London [here](#)

² Data is based on all rental contracts agreed above ¥ 300,000 or where the internal area is 30 tsubo+

³ Asking rents only



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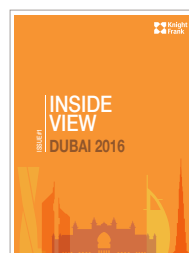
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